



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

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WILLIAM T FUJIOKA  
Chief Executive Officer

February 12, 2010

To: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
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MARK RIDLEY-THOMAS  
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Fifth District

**RECOMMENDATION TO ADOPT A RESOLUTION SUPPORTING THE FINDINGS OF THE CALIFORNIA STATEWIDE LOCAL STREETS AND ROADS NEEDS ASSESSMENT, AND EXPRESS OPPOSITION TO CUTS TO TRANSPORTATION FUNDING AND SUPPORT FOR STABLE TRANSPORTATION FUNDING SOURCES FOR LOCAL STREET AND ROAD MAINTENANCE AND REHABILITATION (ITEM NO. 35, AGENDA OF FEBRUARY 16, 2010)**

Item No. 35 on the February 16, 2010 Agenda is a recommendation by the Department of Public Works to adopt a resolution supporting the findings of the California Statewide Local Streets and Roads Needs Assessment, expressing strong opposition to future cuts to vital transportation funding such as Proposition 42 and the Highway User Tax Account (HUTA) and strong support for adequate and stable funding sources for local street and road maintenance and rehabilitation, and urging the State to identify sufficient and stable funding sources for these purposes. Specifically, the resolution would:

1. Support the findings of the California Statewide Local Streets and Roads Needs Assessment;
2. Approve the filing of the resolution with an accompanying letter from the Chair of the Board of Supervisors to the Governor and each legislator, expressing opposition to future cuts to vital transportation funding such as Proposition 42 and HUTA and strong support for adequate and stable funding sources for local street and road maintenance and rehabilitation; and
3. Urge the State to identify sufficient and stable funding sources for local street and road maintenance and rehabilitation.

*"To Enrich Lives Through Effective And Caring Service"*

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**The recommendation by the Department of Public Works (DPW) to adopt the resolution is consistent with the following Board-approved policies:**

- **Support proposals that protect revenues received from the sales taxes on gasoline under Proposition 42 to ensure that these funds are used to fund transportation improvements;**
- **Support legislation that further restricts the borrowing of revenues received by the County from the excise tax on gasoline and diesel; and**
- **Support proposals to direct allocation of funds to local governments for the preservation of local streets and roads, without reducing other transportation funds or impacting other agencies.**

#### Background

The Department of Public Works, in coordination with the County Engineers Association of California and the League of California Cities, conducted a Statewide Local Streets and Roads Needs Assessment, which surveyed all of the State's 58 counties and 478 cities in FY 2007-08. The results indicated that at least \$7 billion annually in new money going directly to cities and counties over a period of 10 years is needed to stop the further decline and deterioration of local streets and roads throughout the State.

The Department of Public Works indicates that they are facing a significant challenge in addressing the deficiencies of the County's aging transportation infrastructure and the need for new infrastructure to sustain the local economy and growing population. DPW depends on transportation revenues to maintain over 3,200 centerline miles of roads, which becomes challenging as existing fuel tax revenues for transportation are diverted to address the State General Fund deficit. The Local Streets and Roads Needs Assessment indicates that the Los Angeles County region needs approximately \$11.7 billion over the next 10 years for the preservation of our local streets and roads, and the cost to repair the infrastructure will escalate exponentially in the next several years.

The Department of Public Works states that the two main sources of revenue for the County Road Fund are the State Highway Users Tax (gas tax) and Proposition 42 disbursements. Voters approved Proposition 42 in March 2002 to provide cities and counties with additional funding to maintain local streets and roads by requiring that sales tax revenues on gasoline be used for transportation purposes. In November 2006, Proposition 1A, which restricts the State's ability to borrow sales tax revenues on gasoline to balance the State Budget, was approved by voters, including 76.5 percent of the voters in Los Angeles County, further confirming that the vast

majority of Californians are adamant that Proposition 42 funds are to be used solely for transportation purposes.

#### Recent State Actions

As a result of the economic crisis over the last few fiscal years, the State has resorted to either borrowing or taking transportation funding to help alleviate the pressure on the State General Fund. DPW indicates that the State deferred the County's gas tax payments by \$58 million in FY 2008-09 and plans to defer a total of \$72 million in FY 2009-10. In addition, the State plans to defer approximately \$25 million of the County's Proposition 42 revenues in FY 2009-10.

As reported in the January 14, 2010 Sacramento Update, the Governor's FY 2010-11 Proposed Budget includes a complex gas tax swap, which would simultaneously eliminate the existing sales tax on gasoline, proceeds of which fund Proposition 42, and replace it with a 10.8 cent per-gallon excise tax for a State General Fund savings of \$1.8 billion. According to DPW, the County would receive approximately \$61 million in transportation funding in FY 2010-11 under the alternative excise tax proposal, which is the same amount the County would receive under existing law.

Although the alternative transportation proposal appears to be revenue neutral, DPW has several concerns. The major concern is that the proposal does not include constitutional protections similar to Proposition 42 funding. In the future, the State may take, borrow, or modify the funding allocation ratio, which could significantly impact the amount of transportation revenue received by the County. In addition, the proposal does not provide any funding to the Public Transportation Account (PTA), which is used by transit providers, and it eliminates any future "spillover" revenues that may have been allocated to the PTA. In Los Angeles County, the Metropolitan Transportation Authority receives this funding for rail and bus transit operations.

The Department of Public Works states that the adoption of the resolution would express the County's strong opposition to any suspension of transportation revenues as a means to reduce the State General Fund deficit, and will show solidarity among the counties statewide for the protection of transportation revenues, which have been borrowed or suspended by the State in the past years, and underscore the importance of maintaining and preserving our aging transportation infrastructure by investing the necessary funds made available by voter approved measures.

WTF:RA  
MR:EW:sb

c: Executive Office, Board of Supervisors  
County Counsel  
Department of Public Works